

PUBLIC DISCLOSURE

DECEMBER 2, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WORCESTER POLICE DEPARTMENT CREDIT UNION

9-11 LINCOLN SQUARE
WORCESTER, MA 01608

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of WORCESTER POLICE DEPARTMENT CREDIT UNION prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated " Satisfactory."

A CRA rating of "Satisfactory" is assigned. An industrial institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its membership, including low and moderate-income members, in a manner consistent with its resources and capabilities.

This examination was conducted utilizing three performance criteria for industrial institutions: 1) Average Loan to Share ratio, 2) Lending to Borrowers of Different Incomes and 3) Fair Lending.

The credit union's average net loan-to-share for the previous four semi-annual periods is 49.0 percent and meets the standards for satisfactory performance at this time.

Analysis of the credit union's lending activity by borrower income revealed that 11.1 percent of the number of loans and 11.6 percent of the dollar amount of a consumer loan sample was granted to low and moderate-income members. The credit union was found to meet the standards for satisfactory performance under this criterion.

The credit union's fair lending performance is also considered to meet the standards of satisfactory performance.

PERFORMANCE CONTEXT

Description of Institution

Worcester Police Department Credit Union is a Massachusetts chartered credit union, which was incorporated on February 1, 1947. The credit union was established to serve the credit needs of the employees and associates of the Worcester Police Department. The credit union's sole office is located at 9-11 Lincoln Square in Worcester, Massachusetts. Office hours are from 8:00AM to 4:00PM Monday through Friday. The credit union issues its own ATM cards and members are given 10 free ATM transaction monthly if they are enrolled in the credit union's Direct Deposit Program. .

As of June 30, 2002, the institution's total assets were \$8.9 million with total loans representing \$3.0 million or 33.7 percent of total assets. The following table depicts the credit union's loan portfolio composition based on the June 30, 2002, NCUA Call Report of Condition.

LOAN PORTFOLIO COMPOSITION		
LOAN TYPE	\$ AMOUNT (000's)	%
New Vehicle	1,274	42.2
Used Vehicle	781	25.9
Personal Loans	689	22.8
Equity Loans	252	8.3
Credit Cards	25	0.8
TOTALS	3,021	100%

New Vehicle loans comprise 42.2 percent of the entire loan portfolio, while used vehicles and personal loans represent 25.9 percent and 22.8 percent, respectively. Equity loans comprised 8.3 percent of institution's total loan portfolio. Share secured loans made up the remainder of the portfolio representing 0.8 percent of the dollar volume of the loan portfolio.

The credit union has entered into an agreement with Members Mortgage Corporation in order to enhance the service to their membership. The agreement allows the credit union to originate mortgage loans that would not qualify under the credit union's lending guidelines. Once originated and closed, the mortgage would be sold to Members Mortgage Corporation. This agreement allows the credit union the ability to offer more flexible terms to members with higher risk factors.

Competition within the credit union's assessment area includes a variety of community based and industrial credit unions, small loan companies and community banks. Given its asset size and financial capacity, Worcester Police Department Credit Union has been successful in helping to meet the credit needs of its membership.

The Division of Banks last conducted a CRA exam on October 16, 1998, which resulted in the Worcester Police Department Credit Union receiving a rating of Satisfactory.

Description of Assessment Area

The Community Reinvestment Act (CRA) regulation requires that each financial institution delineate one or more assessment area(s) within which the institution's record of helping to meet community credit needs is evaluated. Under the Massachusetts CRA Regulation 209 CMR 46.41(8) a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area. Worcester Police Department Credit Union, which is an industrial credit union, has a membership by-law provision based primarily on the employment/occupation. Consequently for the purpose of this evaluation, the credit union's membership by-laws delineate the institution's assessment area(s).

Worcester Police Department Credit Union's by-law state: "Membership in this Credit Union is limited to those who are Worcester Police Officers presently employed, family members being defined as husband or wife, first generation blood or adopted children, civilians which are presently employed by the Worcester Police Department, credit Union employees, police and civilian retirees of the Worcester Police Department, communication personnel of the Worcester Police Department, permanent and provisional employees of the Worcester Police Department excluding temporary employees, except that persons not so eligible to membership may have joint accounts with members of the Credit Union for the purpose of deposits and withdrawals only."

Worcester Police Department Credit Union has approximately 750 current members.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSITS

The first criterion evaluated is the credit union's net loan to total shares and deposit ratio. The average net loan to total share ratio was determined to be 49.8 percent and is considered to meet the standard for satisfactory performance.

The exam analysis incorporated net loans to total share figures from the institution's NCUA Call Report of Condition for four semi-annual periods. The periods reviewed covered December 31, 2000, to June 30, 2002.

WORCESTER POLICE DEPARTMENT CREDIT UNION			
LOAN TO DEPOSIT ANALYSIS			
PERIOD	NET LOANS	SHARES	RATIO
December 2000	3,248,598	5,559,975	58.4
June 2001	3,174,611	5,727,204	55.4
December 2001	2,811,847	6,214,806	45.2
June 2002	2,999,746	7,462,513	40.2

The following table provides net loans to deposit ratios for industrial credit unions similarly situated within the Worcester area. The ratios shown are calculated from NCUA Call report figures as of June 30, 2002. Worcester Police Department Credit Union average ratio of 49.0 percent was adequate when compared to the other institutions.

COMPARATIVE LOAN TO SHARE RATIOS	
Worcester Police Department Credit Union	40.2%
Worcester Credit Union	69.0%
Worcester Fire Department Credit Union	57.6%
Saint Vincent Hospital Credit Union	39.2%

In summary, the net loan-to-share ratio appears to be adequate given the credit union's scope of operation. Based on the above information and Worcester Police Department Credit Union's capacity to lend, its asset size, the types of loans available, its limited resources and lending strategy, the credit union's loan to share ratio meets the standards for satisfactory performance.

2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The second performance criterion evaluates the extent to which the institution lends to members of different income levels, particularly members of low and moderate income within its membership. Consumer lending activities were analyzed to determine the institution's performance. The credit union's performance under this criterion was found to be reasonable and to meet standards for a satisfactory performance.

The distribution of consumer loan originations were reviewed and compared to the median Family Household Income (FHI) for the Metropolitan Statistical Area (MSA) in which the credit union members reside to determine borrower income levels. By definition, borrowers qualify as low income below 50 percent of median income, moderate-income between 50 percent and 79 percent of median income, middle-income between 80 and 119 percent of median income and upper-income at 120 percent or more of median income.

The majority of members reside within the Worcester, MA Metropolitan Statistical Area (MSA). The Worcester, MA MSA Median Family Household Income (FHI) for 2000 was \$54,400, 2001 was \$57,000 and 2002 was \$58,400.

CONSUMER LENDING

Consumer loans granted in 2000, 2001 and Y-T-D (year-to-date) 2002 were also sampled and reviewed for borrower income levels. Worcester Police Department Credit Union granted 290 consumer loans totaling \$2.3 million in 2000, 233 consumer loans totaling \$1.8 million in 2001 and 113 consumer loans totaling \$1.1 million, Y-T-D 2002. A sample of 45 loans totaling \$469,000 was taken to represent consumer lending for the current examination period.

The following table provides a breakdown of a sample of 45 consumer loans originated among the credit union's membership by applicant income level. This analysis indicated that 4.4 percent was granted to low-income members and 6.7 percent was granted to moderate-income members.

CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER BY NUMBER

% OF MEDIAN MSA INCOME	2000		2001		Y-T-D 2002		TOTAL	
	#	%	#	%	#	%	#	%
<50%	2	13.3	0	0.0	0	0.0	2	4.4
50% - 79%	1	6.7	1	6.7	1	6.7	3	6.7
80% - 119%	5	33.3	6	40.0	11	73.3	22	48.9
120% >	7	46.7	8	53.3	3	20.0	18	40.0
TOTAL	15	100%	15	100%	15	100%	45	100%

Source: in-house files

The information included in the table below indicates that, by dollar amount, 4.1 percent of the consumer loans were to low-income members and 7.5 percent were to moderate-income members.

**CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER BY DOLLAR
AMOUNT**

% OF MEDIAN MSA INCOME	2000		2001		Y-T-D 2002		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%
<50%	19	10.4	0	0.0	0	0.0	19	4.1
50% - 79%	18	9.8	16	12.8	1	0.7	35	7.5
80% - 119%	58	31.7	38	30.1	126	78.7	222	47.3
120% >	88	48.1	72	57.1	33	20.6	193	41.1
TOTAL	183	100%	126	100%	160	100%	469	100%

Source: in-house files

The credit union's lending distribution for consumer loans is represented in all categories of different income levels of members. Middle income members received the largest segment (48.9% by number and 47.3% by dollar amount), while low and moderate income members combined received the smallest percentage (11.1% by number and 11.6% by dollar amount) of the consumer loans granted. Loans granted to upper income members represented second largest segment with 40.0 percent by number of loans granted and 41.1 percent by dollar of loans granted.

It is noted that the majority of the consumer loans were granted to single applicants. Therefore, the percentage of originations occurring in low and moderate-income levels would be higher than that of residential mortgage originations, where the income is usually the result of joint combined incomes and where the comparison is made to the standard of median family income.

In conclusion, the credit union's distribution of consumer loans by borrower income levels demonstrates that the largest segment of these loans are granted to middle income members. This distribution is reasonable, given the nature of loan product offerings, and the income levels of the majority of the membership. Consequently, the credit union's lending for this criterion meets the standards for satisfactory performance.

3. FAIR LENDING POLICIES AND PRACTICES

The credit union's small size, restricted resources and financial situation limit its ability to meet the requirements of the Division's fair lending policy. The credit union's staff training is adequate. However, outreach, marketing, credit products and underwriting standards are directly affected by resources and limited product offerings. The institution has developed a second review process in which all loans considered for denial are referred to the Credit Committee prior to issuing a notice of denial.

The credit union's marketing activity includes highly visible information in the credit union office concerning products and services. The credit union also includes statement stuffers in correspondence sent out to the membership. The above activities keep the membership abreast of new product offerings, as well as credit information and savings incentives.

Due to the credit union's industrial nature and lack of demographic information concerning race, a minority application flow analysis was not completed.

Based on the foregoing information, the credit union meets the standards for satisfactory performance in this category.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

WORCESTER POLICE DEPARTMENT CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **DECEMBER 2 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.